



Norman H. Bangarter

Governor

Dee C. Hansen

Executive Director

Dianne R. Nielson, Ph.D.

Division Director

State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340

DOGM
MINERALS PROGRAM
FILE COPY

April 7, 1989

Mr. Allan R. Cerny
Land Manager
Western States Minerals Corporation
4975 Van Gordon Street
Wheat Ridge, Colorado 80033

Dear Mr. Cerny:

Re: Division Review of Operator Request for Permit Transfer and Release of Reclamation Surety, Drum Mine, M/027/007, Millard County, Utah

This letter is provided in response to Western States Minerals Corporation's (WSMC) request for Division approval of the permit transfer and release of reclamation surety bond (#104519) for the Drum Mine, Millard County, Utah. ASOMA (Utah), Inc., D.B.A., Jumbo Mining Company, purchased the mining operation from WSMC on October 12, 1988. Since that time, the Division has been working with Jumbo Mining Company (JUMBO) to complete the permit transfer process and to approve a revision to the existing permit for the Drum Mine.

Upon review of the approved Drum Mine permit application, it has come to our attention, that WSMC has not complied with a number of the original permit conditions and commitments. Before the Division can formally approve of the Drum Mine permit transfer, from WSMC to JUMBO, the following conditions must be resolved by WSMC:

WSMC's approved 1983 Mining and Reclamation Plan for the Drum Mine indicates that 29 acre-feet (46,786 cubic yards) of topsoil would be salvaged and stockpiled for ultimate reclamation of the minesite. The plan indicates that areas to be reclaimed will be covered by 6 inches of topsoil.

On February 21, 1984, DOGM received an amendment from WSMC to construct a 13.25 acre "Waste Rock Leach Dump" at the Drum Mine. Approximately 10,700 cubic yards of topsoil was to be salvaged and stockpiled (average 6-in. depth/acre). On June 4, 1984, DOGM received a request to amend the February amendment and reduce the disturbed area to from 13.25 to 5.5 acres. Assuming a 6-inch stripping depth, a total of 4,440 cubic yards would be salvaged under the revised amendment. On March 28, 1985, DOGM approved this 5.5-acre amendment (renamed, "Low Grade Ore Heap").

A 56-acre expansion (North Ridge Heap Leach Amendment) to the Drum Mine permit was approved by DOGM effective February 13, 1986. The revised surety estimate for this amendment included costs to respread another 5,000 cubic yards of topsoil over 26 acres (see WSMC letter dated 8/5/85). These adjustments, when added to the originally approved mine plan, yield a grand total of 56,226 cubic yards of topsoil that should have been stockpiled.

WSMC's 1985 and 1986 annual reports indicate that only 10,000 cubic yards were salvaged. This topsoil volume could not be verified during a March 10, 1989 onsite inspection by DOGM. A visual estimate indicated that less than 2000 cubic yards of topsoil is presently stockpiled onsite. It is obvious that this volume of topsoil will not be sufficient to reclaim the disturbed areas.

1. Because the formal permit transfer process has not been finalized with this office, DOGM cannot formally recognize JUMBO as the new permittee/operator of the Drum Mine. Therefore, the Division will hold WSMC accountable for the deficient topsoil stockpile volume (@54,200 cubic yards). DOGM may require that sufficient topsoil (or suitable substitute plant growth material) be acquired and stockpiled at the Drum Mine to resolve the topsoil deficiency.

WSMC may choose to replace the deficient topsoil volume, or prepare a detailed cost estimate for obtaining the topsoil and submit an appropriate replacement surety to the Division.

WSMC may wish to implement a series of revegetation test plots at the Drum Mine. The test plots would demonstrate how effectively the waste rock material and the spent heap leach pads can be revegetated without the application of topsoil. In order to determine the appropriate soil amendments to be utilized for final reclamation of the waste rock dumps and the spent heap leach pads, a representative sampling program and laboratory analysis of this material must be developed. The details of the waste sampling and revegetation plans would need to be reviewed and approved by the Division.

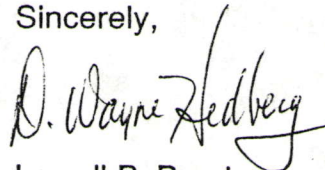
2. The original approved plan also included a commitment by WSMC to conduct contemporaneous reclamation/test plots at the mine site. Our records fail to indicate that WSMC implemented any test plots. Therefore, WSMC remains accountable to construct these test plots. As an alternative, WSMC may submit a replacement bond which includes the costs required to implement these revegetation test plot(s).

Page 3
Allan Cerny
M/027/007
April 7, 1989

WSMC should develop several different revegetation test plots, using different soil amending procedures. The type of soil amendments to be applied will be determined after evaluating the analytical results of representative waste material samples. By proceeding in this manner, the most reasonable approach to reestablishing a good vegetative community on the site can be accomplished.

Thank you for your cooperation in completing this permitting action. Please contact me or D. Wayne Hedberg should you have questions pertaining to requirements of this letter.

Sincerely,



Lowell P. Braxton
Associate Director
of Mining

DWH/jb
cc: Minerals staff

MN3/65-67

TO: ALLAN CERNY

FROM: DIVISION OIL, GAS & MINING

CONDITIONS TO RELEASE OF RECLAMATION SURETY

WESTERN STATES MINERALS CORPORATION

DRUM MINE SITE - M/027/007

April 10, 1989

1. Western States Minerals (WSMC) must locate and select borrow areas for topsoil replacement (@ 54,000 cu. yds.).
2. WSMC must submit a cost estimate for topsoil replacement (including haulage and redistribution costs) and reclamation of the resulting borrow area(s), to DOGM for review and concurrence.
3. WSMC should submit a replacement surety to cover the topsoil replacement costs as outlined in #2 above. DOGM will release WSMC's existing reclamation surety upon receipt of this replacement surety, and an appropriate surety from Jumbo Mining Company for final reclamation of the Drum Mine.
4. WSMC must prepare a sampling program for collecting representative samples of the waste rock and spent heap leach pads. The samples must be analyzed for specific constituents, as per DOGM recommendations. The laboratory results will be used to determine the proper nutrients/amendments to be applied upon final reclamation of the waste rock and spent heap leach pads.
5. WSMC must prepare a revegetation test plot program for implementation at the Drum Mine. The plan must be reviewed and approved by DOGM. Different soil amending procedures must be included in the proposal. The type of soil amendments can be determined after evaluating the analytical data from the waste rock and heap leach samples.

WSMC must arrange to have the test plots monitored annually. A written evaluation of the test plot revegetation success, must be provided annually to DOGM, for a minimum of three (3) years.

6. If the test plots prove successful, then the costs for amending the Drum Mine disturbed areas will be calculated and subtracted from WSMC's topsoil replacement bond. Any residual monies will be returned to WSMC.

DEADLINE: JUNE 30, 1989 TO ADDRESS ABOVE OUTLINED ITEMS